

Credit Union Opportunities

National Credit Union Administration

SMALL CREDIT UNION PROGRAM

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The NCUA board approved a National Small Credit Union Program (SCUP) in 1999. The purpose of the SCUP is to facilitate the Board's goals of promoting the development of financially healthy small and low-income designated credit unions, and encouraging the formation of newly chartered credit unions. This program was designed to provide assistance to credit unions that fall within the following criteria:

1. credit unions with assets under \$5 million;
2. newly chartered credit unions in operation less than 10 years and with assets under \$10 million; and
3. low income designated credit unions.

There are approximately 3,000 federal credit unions and 1,700 state federally insured credit unions that fall within the above SCUP criteria.

Each region has Economic Development and Small Credit Union Specialists that provide specialized assistance to small credit unions. **Credit unions that fall within the SCUP criteria (refer to above paragraph) can participate in the program and can contact their regional office to request assistance.** There is no obligation for credit unions to participate in this program, but the program does provide an unique opportunity for those smaller credit unions to obtain advice and/or assistance in areas where they may not have expertise.

In 2000, there were 500 small credit unions that have received assistance from the regional offices. On-site assistance resulted in the following:

- * Credit unions receiving field of membership expansion approvals;
- * Credit unions receiving a low-income designation;
- * Credit unions becoming qualified as a Community Development Financial Institution and receiving grant monies;
- * Completion of several NCUA grant and loan requests; and
- * Correction of credit unions' operational problems.

Regional offices also hosted many workshops in 2000 and will host additional workshops in 2001. Training will focus on improving the financial condition and operations of small credit unions. The regional offices prioritize the on-site SCUP assistance by credit unions' need. **If you want to attend the SCUP workshops or to participate in the regional program for small credit unions, contact your regional office.**



FEDERAL HOME LOAN BANKS: ANOTHER LIQUIDITY RESOURCE FOR CREDIT UNIONS

The Federal Home Loan Bank System consists of 12 district banks located throughout the United States. Their primary mission is to provide their members with access to economical wholesale credit and technical assistance. The Federal Housing Finance Board (FHFB) in Washington, DC supervises the system and ensures the banks operate in a safe and sound manner, remain adequately capitalized, and fulfill their housing finance mission.

Each FHLB is privately capitalized and operated by its members, and governed by its own Board of Directors. Financial institutions must apply for membership to gain access to a FHLB's credit, community development, and mortgage finance products. Each FHLB offers its members its own set of products and services and membership is region specific. Members must purchase capital stock in their FHLB equal to the greater of 1 percent of their residential mortgage loans or 0.3 percent of total assets. The stock carries a fixed par value of \$100 per share and pays quarterly dividends as determined by the FHLB's Board of Directors. Credit unions should consider their FHLB as a possible option when exploring funding (loans/advances) sources. **However, the credit programs clearly require careful analysis to ensure they will mesh with the borrower's ALM strategy.** *Article was reprinted courtesy of National Credit Union Administration's Region I Division of Insurance Analyst Lynn Lodge.*

FHLB District	States Served	Website Address/Phone Number	
Atlanta	Alabama, D.C., Florida, Georgia, Maryland, North/South Carolina, Virginia	www.fhlbatl.com	404-888-5295/8418
	The Community Investment Program provides long-term funds at reduced rates for affordable housing and economic development; the Affordable Housing Program provides subsidies in the form of below-market rates loans and direct grants.		
Boston	Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	www.fhlbboston.com	617-292-9655
	Classic Advances– 2 day to 20 year fixed rate loans with monthly interest payments only.		
Chicago	Illinois, Wisconsin	www.fhlbc.com	312 -565-5813/5725
	Community Investment Program provides technical assistance to members' that provide affordable and accessible housing finance (CRA type of requirement). Many types of loans available to members'.		
Cincinnati	Kentucky, Ohio, Tennessee	www.fhlbcin.com	513-852-7500
Dallas	Arkansas, Louisiana, Mississippi, New Mexico, Texas	www.fhlb.com	214-441-8500
	Advances are offered at below normal interest rates for community reinvestment activities through the community investment fund department.		
Des Moines	Iowa, Minnesota, Missouri, North Dakota, South Dakota	www.fhlbdm.com	515-243-4211
	If you are financing funding for businesses whose employees are paid at or above a living wage, you may qualify for the new Living Wage Advance at an interest rate 10 basis points below the Bank's Community Investment Advance rate.		
Indianapolis	Indiana, Michigan	www.fhlbi.com	317-465-0200
	Community Investment Program {(317)465-0371} provides a favorably-priced source of wholesale funds for any member (credit union) involved in lending for community and economic development.		
New York	New Jersey, New York, Puerto Rico, Virgin Islands	www.fhlbny.com	212-441-6600/6821
	Rural Development Advance provides low-cost advances for economic development projects of members and nonmembers.		
Pittsburgh	Delaware, Pennsylvania, West Virginia	www.fhlb-pgh.com	412-288-7358/3406
San Francisco	Arizona, California, Nevada	www.fhlbsf.com	414-616-1000
	Various programs to offer credit products for members (credit unions) that will lower their members' cost of funds and enhance their members' asset/liability management.		
Seattle	Alaska, Hawaii, Idaho, Montana, Oregon, Utah, Washington, Wyoming, and Territories	www.fhlbsea.com	1-800-973-6223
	Low cost loans or advances are offered to members. Advances are available at low-cost fixed and variable rates, in maturities from overnight to 30 years.		
Topeka	Colorado, Kansas, Nebraska, Oklahoma	www.fhlbtopeka.com	1-800-777-3452
	Community investment consists of an Affordable Housing Program, Community Development Program, Community Housing Program, Rural Homebuyer Program, and Community Support Requirement.		

FIELD OF MEMBERSHIP EXPANSION—EASY AS 1-2-3

Many federal credit unions are seeking new membership groups to serve. In response to this need, the NCUA board has approved more flexible policies to make expansion into investment (underserved) areas less burdensome.

ALMOST 50 PERCENT OF ALL FEDERAL CREDIT UNIONS ARE PRESENTLY LOCATED IN INVESTMENT AREAS. Investment areas can be found in both rural and urban areas. **Any federal credit union may include in their field of membership, regardless of size, location, or charter type, communities satisfying the definition for serving underserved (investment) areas in the Federal Credit Union Act.** More than one federal credit union can serve the same underserved area. For example, a credit union serving an employee group or associational group can add *persons who live, regularly work, worship, or attend school in, and businesses located in “name of investment area [e.g., county, empowerment zone or any other defined area], an underserved community as defined in Chapter 3, Section III of the NCUA Chartering and FOM Manual.”* A multiple group common bond credit union that adds an underserved area would remain as a multiple common bond credit union.

What is an investment (underserved) area?

An investment area includes any of the following:

- area encompassed or located in an Empowerment Zone or Enterprise Community designated under section 1391 of the Internal Revenue Code of 1996 (26 U.S.C. 1391);
- area where the percentage of the population living in poverty is at least 20 percent;
- area in a Metropolitan Area where the median family income is at or below 80 percent of the Metropolitan Area median family income or the national Metropolitan Area median family income, whichever is greater;
- area outside of a Metropolitan Area, where the median family income is at or below 80 percent of the statewide non-Metropolitan Area median family income or the national non-Metropolitan Area median family income, whichever is greater;
- area where the unemployment rate is at least 1.5 times the national average;
- area where the percentage of occupied distressed housing (lack of complete plumbing and occupancy of more than one person per room) is at least 20 percent; and
- area located outside of a Metropolitan Area with a county population loss between 1980 and 1990 of at least 10 percent.

Can credit unions that service an investment area qualify for assistance?

Credit unions can apply for Department of Treasury Community Development Financial Institutions (CDFI) designation and grants if a specified (>60%) amount of activities are supplied to members in the investment areas. The credit union can refer to the CDFI web site (www.treas.gov/cdfi) for more information.

Benefits

- * Diversifies membership.
- * Increased business (e.g., lending, share deposits, etc...) opportunities.
- * Provides low-cost financial services to the community.
- * Promotes pride in the community.

How can I identify an investment area if I do not have access to the Internet or if I have any questions regarding expansions ?

Contact your credit union's regional office and ask for the Division of Insurance. NCUA staff will identify the nearest investment area based on the location of your credit union or answer any questions.

Turn the page for more information.



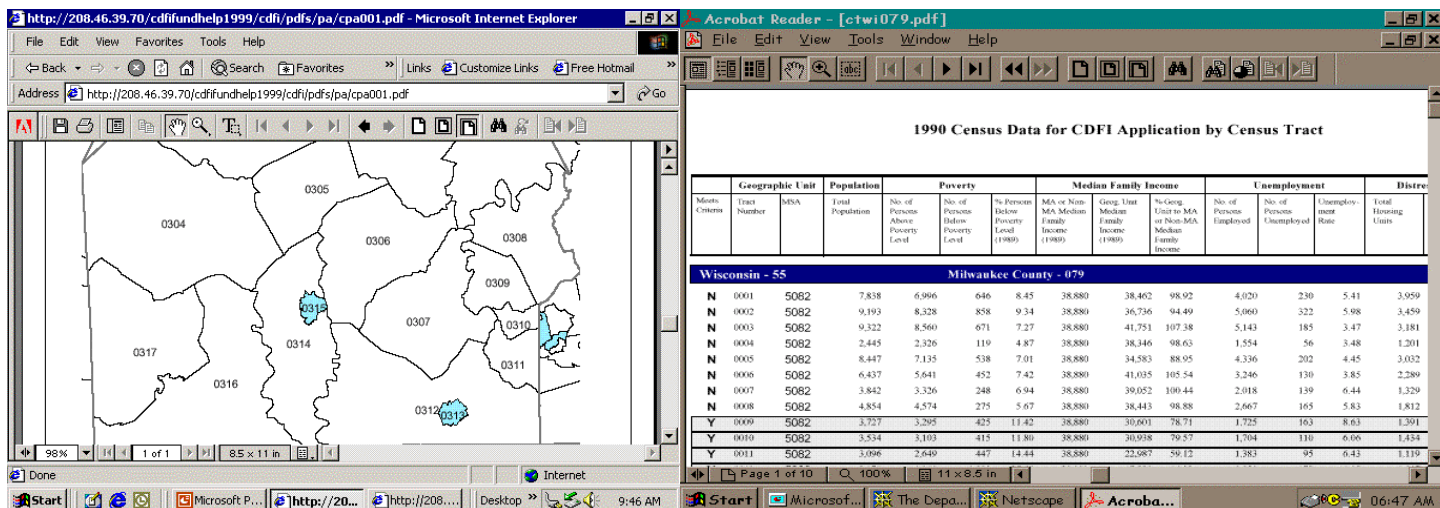
THE 3 STEPS FOR FIELD OF MEMBERSHIP EXPANSION

1. Locate an underserved area.

Finding an investment (underserved) area on the Internet:

1. Go to the following web page: <http://www.treas.gov/cdfi>.
2. The CDFI home page will appear. Click "On-Line Help Desk".
3. The "On-Line Help Desk" screen will appear. Click the bubble that states "*I want to create an Investment Area worksheet and map—NOW.*"
4. The next web page will show 4 options. Option 3 allows a credit union to identify investment areas that are smaller than a county. Credit unions can follow the instructions located in the web pages if Option 3 is selected. Option 4 allows a credit union to identify a county or land tract that qualifies as an investment area. Select option 4 and follow the remaining steps for pre-made county information.
5. A map of the United States will appear. Click on the desired state or select the state's name from the drop down list.
6. A map of the state will appear. Each county will be appear in either shaded or in white. A county that is shaded in dark blue denotes that the whole county qualifies as an investment area. A lighter shade of blue denotes that some sections (land tracts) qualify as investment areas. A county that appears in white denotes that there are no investment areas in the county.
7. Click on the county on the map or select the county's name from the drop down list and select census tract map and report.
8. Both the below map and report will populate your screen. Print the report and map. Attach these to your expansion request.

The land tracts that are shaded on the map or on the report are investment areas. These areas can be added to your field of membership by receiving an approval for expansion from the NCUA regional office.



Finding an Empowerment Zone or Enterprise Community on the Internet:

Go to the following web page: www.hud.gov/cpd/ezec/ezbyez.html. A list of the zones and communities will appear. The credit union can contact the director of these areas for boundary maps of the zone or community.

* On March 8, 2001, the NCUA Board issued an interim final rule declaring that community charter applicants need not submit documentation to justify a proposed membership field as a "well-defined local community, neighborhood or rural district," if NCUA has previously granted a charter to serve the exact same membership field.

THE 3 STEPS FOR FIELD OF MEMBERSHIP EXPANSION

2. Create a business plan for serving the investment (underserved) area.

This guideline is specific to field of membership expansion into investment areas. The business plan needs to be realistic, supportable, and include specific elements stated below.

A. Overlapping Fields of Membership

Identify any newly chartered single or multiple common bond credit union that have been in existence less than two years in the investment area.

B. Goals with assumptions for shares, loans, and members for each period

List the amount of shares, amount of loans, number of loans, and number of members for the 6th, 12th, 18th, and 24th month.

C. Financial services to be provided

Identify in your business plan the proposed:

1. services available to the investment area;
2. time table to implement these services; and
3. terms for these services (as applicable).

If material, include additional staffing or service expenses that will be necessary to provide the services noted above. These expenses should also be included in the proforma financial statements and business plan assumptions.

D. How will the community be served?

1. Identify the credit and depository needs of the community (i.e., no financial services available, no credit unions in the area, high fees from available financial resources, high loan rates, etc.).
2. State the credit union's plans to serve those needs.

If a credit union has a pre-existing office within close proximity (based on region's assessment) to the underserved area, then it need not maintain an office or facility within the underserved area. A credit union that does not have an existing office within close proximity to the underserved area must implement a plan to establish and maintain an office or facility within two years of adding the underserved area to its field of membership.

E. Operating facilities

Describe the operating facility that will be used to serve the underserved area and its location. In addition to the location of the facility, state the timeframe for its implementation and the anticipated financial impact on the credit union in terms of the need for additional employees and fixed assets, etc. A map, clearly marking the location of the current or proposed service facility serving the investment area should be provided. All costs related to the service facility (i.e., building, leasing, staff, etc.) must be included in the proforma financial statements and business plan assumptions.

F. Proforma and current financial statements

Provide detailed semiannual proforma financial statements (balance sheet and income and expense projections) for the 1st and 2nd year, including assumptions. In addition, provide your most recent month ending balance sheet, income statement, and summary of loan delinquency.

3. Send a letter to the NCUA Regional Office requesting expansion into the investment area.

SAMPLE FCU Letter would state the following:

The officials of "SAMPLE" Federal Credit Union would like to request a field of membership expansion into "Anywhere" community. The community has been identified as an investment area according to NCUA rules. The following information is attached supporting our request:

*** Maps identifying the community.

***Tables showing how the community qualifies as an investment area.

***Business plan showing our plans for serving this community.

If you require additional information, please call at (XXX) XXX-XXXX. Thank you for your consideration in this matter.

Signed John Doe

Credit Union Official

Tip: *The boundaries of a community, neighborhood, or rural district must be clearly defined in your letter, e.g., a township, a city, a county, or a political subdivision thereof, or a census tract. A credit union's charter defines the geographic boundaries of a community area, usually with north, south, east, and west boundaries.*

If you have any questions regarding the procedures for expanding into an investment area, contact your regional office.

NCUA LOW INCOME DESIGNATION

A low income credit union is one which serves predominantly (simple majority) low-income members. The term “low-income members” shall mean those members who make less than 80 percent of the average for all wage earners or members whose annual household income falls at or below 80 percent of the median household income. The low-income designation is a requested designation conferred on eligible credit unions by the NCUA regional director. In the case of state-chartered, federally insured credit unions, the state regulator shall make the low-income designation with the concurrence of the NCUA regional director.

Benefits of Receiving NCUA Low Income (LI) Designation

LI designated credit unions can:

1. receive non-member deposits;
2. participate in the Community Development Revolving Loan Fund Program;
3. be eligible for technical assistance grants; and
4. include secondary capital in their computation of net worth.

LI Designation Methods

There are three methods for assigning the LI designation. These methods are outlined in the following screens.

Method 1 - Compare the 1990 U.S. Census Bureau’s Median Household Income Statistics to NCUA’s 1990 Measurement Standard of \$24,044 (could be adjusted with differentials stated in Table 1 below) as the primary measurement prepared by the Office of Community Development Credit Unions (OCDCU). Method 1. will only be covered in this article.

Method 2—Compare the current year’s projections for Median Household Income or the Credit Union Members’ Average Weekly Wage to the NCUA’s current year’s standards.

Method 3 - Other customarily accepted data used by federal and state agencies to identify and qualify low-income recipients for various entitlement and aid type programs.

Credit union information that is needed to determine LI designation

Zip codes of 100 percent of the credit union’s members of record as of a particular date will be compiled and the aggregate number of members residing in each zip code will be determined. (Method 1)

Membership Surveys - Membership written surveys will include 100 percent of the credit union’s members of record. The survey must request the members’ total household income and annual wage figure. These amounts will be compared to NCUA’s most current year’s figures (2000 Median Household Income is \$32,477 and 2000 Average Weekly Wage \$19,417). A simple majority of the entire members of record must respond and qualify under the LI test. (Method 1 and 2)

Obtaining Median Household Income Statistics Through The Internet

Step 1 : Median Household Income Statistics can be obtained from :

<http://venus.census.gov/cdrom/lookup> or contact regional office for assistance.

Step 2: Click on STF3B (Community credit unions can use STF3A).

Step 3: Click your mouse in the “Enter Zip Code” block. Key in zip codes of 100 percent of the credit union’s members of record in the bottom half of the screen. Click the “submit” button.

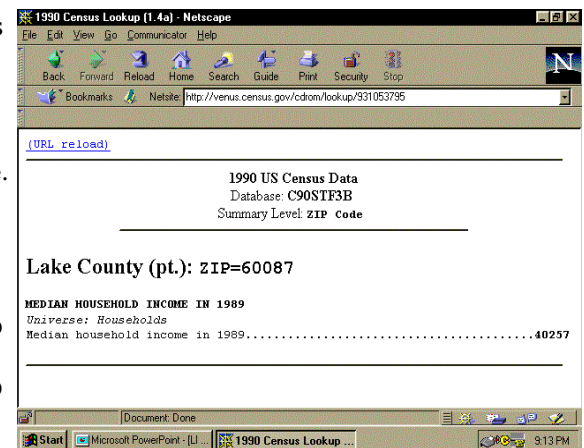
Step 4: The next screen allows you to select the informational tables you wish to retrieve. Advance the screen down to the option “P80A” Median Household Income in 1989. Click on the box preceding the “P80A” line. Return to the top of the screen and click on the submit button.

Step 5: Select the HTML format. Click the “submit” button.

Step 6: The 1990 U.S. Census Data will appear (similar to the screen on the right) that contains the Median Household Income (e.g., \$40,257).

Step 7: Prepare a worksheet similar to Table 2 below. The credit union can request a low-income designation if the % of total members that have a MHI of less than \$24,044 is greater than 50 percent.

Step 8: Attach the worksheet with printouts from Step 6 and forward a letter requesting LI designation to the regional office or state regulatory agency.



Area	%	Area	%
Hawaii	40	Los Angeles	14
Alaska	36	New York	13
D.C.	19	San Francisco	13
Boston	17	Seattle	10
San Diego	15	Chicago	7
		Philadelphia	7

TABLE 1

Zip Code	# of members	<\$24,044 MHI	>\$24,044 MHI
60000	6	6	0
<u>60087</u>	<u>5</u>	<u>0</u>	<u>5</u>
Total	11	6	5
% of Total		54.5%	45.5%

TABLE 2

STUDENT INTERNSHIP PROGRAM

The NCUA sponsors a college student internship program that matches interested and qualified junior college, college or university students with low-income designated credit unions. NCUA provides technical assistance grants to participating low-income designated credit unions that host a student intern. The maximum stipend grant is \$2,500.00 covering a 12-week internship. The purpose of the program is to introduce college students to possible career opportunities in the credit union industry. It also affords them the opportunity to gain hands-on experience in various areas of credit union operations.

The program was piloted during the summer of 1997. To date, the program began with four host credit unions and four partners. The pilot proved to be successful with 80 students having participated in this program. We anticipate that 30 students will participate this year.

The program's applications are reviewed and selected on a first-come basis. It is therefore imperative to apply, as soon as possible, to be considered. The credit union that is accepted in the program must agree to serve as the host. Prospective student interns are interviewed and selected by the host credit union. The host must also identify another credit union (any asset size) to partner with, so the students can gain varied experience through their association with different credit unions. The host is responsible for submitting to NCUA, the internship program application, resume submitted by the college student (that includes documentation of compliance with the below criteria) and the "Partner Agreement" from the partner credit union along with a technical assistance application. NCUA will notify the host credit union concerning its acceptance into the Student Internship Program.

Students must meet the following criteria to participate in the program:

- ⇒ currently enrolled in junior college, college or university; and
- ⇒ majoring in the subjects of accounting, marketing or business.

NCUA is accepting applications for the summer 2001 college internship program. If you would like to participate in this program, please contact us at (703) 518-6610

PREVIEW OF FUTURE NEWSLETTER ARTICLES

NCUA intends to issue these newsletters to SCUP credit unions on a quarterly basis. Future articles in 2001 will include in-depth information regarding the following programs:

- United States Department of Agriculture (USDA);
- Community Development Programs from the Federal Deposit Insurance Corporation, Office of Thrift Supervision (OTS), Office of Currency and Commerce (OCC), Federal Reserve Boards (FRB), and Economic Development Administration (EDA);
- Regional NCUA Workshops;
- Department of Treasury Community Development Financial Institutions (CDFI);
- Appalachian Regional Commission (ARC);
- Small Business Administration (SBA);
- How to find grants and helpful hints in grant writing;
- How to work with and establish a non-profit organization; and
- NCUA grants and loan programs.


We would like to receive feedback (e.g., your success stories) from credit unions so that we can share it with other credit unions. Also, if you know of any funding sources that you would like to share with other credit unions or you would like to provide assistance (e.g., training, nonmember deposits, or mentoring) to other credit unions, please contact us. We have many credit unions that have requested help. Our email address is cdcumail@ncua.gov.

In order to better serve our credit unions, we need your comments and recommendations.

National Credit Union
Administration

Office of Community Development Credit Unions
1775 Duke Street
Alexandria, VA 22314

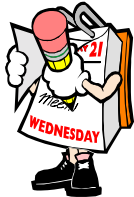
Phone: 703-518-6610
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We're on the web!!
www.ncua.gov



MARK YOUR CALENDAR NCUA CONVERSIONS WITH AMERICA!



Don't miss your opportunity to voice your opinion! NCUA will post on its website a list of upcoming public events, meetings, and forums where people are encouraged to voice their opinion to NCUA board members or officials about how the agency can improve its service to credit unions and the American public.

**Reminder: Please submit your comments and recommendations
regarding this newsletter's articles, future articles or NCUA programs to:**

National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314
Attn: SCUP Newsletter

